



EPHRAIM MOGALE LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

Ephraim mogale local municipality

Annual Financial Statements for the year ended 30 June 2010

General Information

Legal form of entity

Local municipality

Mayor

Mrs M Y Mmakola

Councillors

Councillor K.M Seoka
Councillor E.K Laka
Councillor A.M. Mampana
Councillor L.B Modisha
Councillor L. Seloane
Councillor T.T. Maila
Councillor L.J Mphahlele
Councillor M.E. More
Mayor Councillor M.Y Mmakola
Councillor F.S. Sedibane
Councillor P.M. Nkadameng
Councillor S.Z. Modige
Councillor P.M. Mashabela
Councillor M.E. Mokwena
Councillor P.M Matlala
Councillor K.S.D Mokoka
Councillor A.C Tsiane
Councillor M.R Seono
Councillor M.E Mohlamonyane
Councillor W.M. Monama
Councillor M.F.Lekola
Councillor F.E Tladi
Councillor W.M Mabaso
Councillor S.B Mashego
Councillor J Oosthuizen
Councilors L.M Matlala
Councillor J.M Napo

Grading of local authority

Low capacity municipality

Chief Finance Officer (CFO)

TM Mathabatha

Accounting Officer

SR Monakedi

Registered office

Marble Hall NP03a4

Business address

13 Ficus Street
Civic Centre
Marble Hall
0450

Postal address

PO Box 111
Marble Hall
0450

Bankers

First National Bank Limited

Auditors

Auditor General

Ephraim mogale local municipality

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Ephraim mogale local municipality

Annual Financial Statements for the year ended 30 June 2010

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practices (GRAP).

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2011 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer is primarily responsible for the financial affairs of the municipality.

The annual financial statements set out on pages 4 to 66, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2010 and were signed on its behalf by:

SR Monakedi
Municipal Manager

31 August 2010

Ephraim mogale local municipality

Annual Financial Statements for the year ended 30 June 2010

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2010.

1. Review of activities

Main business and operations

Net surplus of the municipality was R 33 408 371 (2009: deficit R 3 549 276).

2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting Officer's interest in contracts

The accounting officer had no interest in contracts.

5. Accounting policies

The annual financial statements prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

6. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name
SR Monakedi

7. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2002. The accounting officer discuss the responsibilities of management in this respect, at Board meetings and monitor the municipality's compliance with the code on a three monthly basis.

The salient features of the municipality's adoption of the Code is outlined below:

Internal audit

The municipality had employed internal auditors for the year under review.

8. Bankers

The municipality banks primarily with First National Bank Limited.

9. Auditors

The Auditor General will continue in office for the next financial period.

Ephraim mogale local municipality

Annual Financial Statements for the year ended 30 June 2010

Accounting Officer's Report

10. Public Private Partnership

In accordance with the Public Private Partnership agreement, the Contractor shall open a separate account with a bank registered in the Republic of South Africa, for the purpose of administering and separate safekeeping of:

- moneys deposited as excess surpluses;
- any foreign exchange rate amounts;
- any service credits; and
- any penalties for later service commence mental text.

Ephraim mogale local municipality

Annual Financial Statements for the year ended 30 June 2010

Statement of Financial Position

Figures in Rand		Note(s)	2010	2009
Assets				
Current Assets				
Inventories	<u>30.20</u>	5	875 772	948 705
Trade and other receivables from exchange transactions	<u>31.20</u>	6	110 133 081	110 396 322
Other receivables from non-exchange transactions	<u>33.20</u>	7	197 900	-
VAT receivable	<u>31.20</u>	8	2 909 757	1 258 883
Consumer debtors	<u>31.20</u>	9	4 520 176	4 491 696
Cash and cash equivalents	<u>32.20</u>	10	3 375 255	6 057 469
			122 011 941	123 153 075
Non-Current Assets				
Investment property	<u>21.20</u>	3	6 851 207	2 903 838
Property, plant and equipment	<u>20.20</u>	4	108 213 247	71 789 368
			115 064 454	74 693 206
Total Assets			237 076 395	197 846 281
Liabilities				
Current Liabilities				
Other financial liabilities	<u>41.27-28</u>	11	400 473	364 907
Trade and other payables from exchange transactions	<u>51.20</u>	13	14 517 863	7 516 706
Consumer deposits	<u>51.20</u>	14	1 548 386	1 475 335
Unspent conditional grants and receipts	<u>43.20</u>	12	6 074 146	3 508 796
Provisions	<u>52.20</u>		170 941	170 941
Bank overdraft	<u>32.20</u>	10	1 880 647	-
			24 592 456	13 036 685
Non-Current Liabilities				
Other financial liabilities	<u>41.27-28</u>	11	7 558 083	7 991 382
Total Liabilities			32 150 539	21 028 067
Net Assets			204 925 856	176 818 214
Net Assets				
Accumulated surplus	<u>40.24</u>		204 925 856	176 818 214

Ephraim mogale local municipality

Annual Financial Statements for the year ended 30 June 2010

Statement of Financial Performance

Figures in Rand	Note(s)	2010	2009
Revenue			
Fines		903 910	713 613
Government grants & subsidies	18	80 608 689	42 003 000
Interest received - investment	26	2 890 298	2 093 390
Licences and permits		4 087 374	4 522 206
Miscellaneous other revenue		-	180
Other income	19	804 107	2 128 985
Property rates	16	9 311 666	8 690 538
Recoveries	19	230 434	-
Rental of facilities and equipment		123 203	88 119
Service charges	17	21 232 924	16 194 743
Total Revenue		120 192 605	76 434 774
Expenditure			
Administration	24	(75 391)	(76 197)
Bulk purchases	32	(11 349 489)	(8 781 828)
Debt impairment	25	(2 403 439)	(6 618 344)
Depreciation and amortisation	27	(6 952 902)	(7 256 559)
Finance costs	28	(1 253 208)	(1 324 688)
General Expenses	20	(19 457 646)	(13 981 401)
Grants and subsidies paid	31	(1 062 815)	(780 343)
Personnel	22	(35 173 216)	(28 581 343)
Remuneration of councillors	23	(6 427 670)	(5 918 725)
Repairs and maintenance		(2 628 458)	(2 303 506)
Total Expenditure		(86 784 234)	(75 622 934)
Gain or loss on disposal of assets and liabilities		-	(4 361 116)
Surplus/(deficit) for the year		33 408 371	(3 549 276)

Ephraim mogale local municipality

Annual Financial Statements for the year ended 30 June 2010

Statement of Changes in Net Assets

Figures in Rand	Capital replacement reserve	Township development fund	Total reserves	Accumulated surplus	Total net assets
Opening balance as previously reported	3 077 258	2 900 099	5 977 357	63 712 132	69 689 489
Adjustments					
Fundamental errors affecting net assets	-	-	-	110 815 462	110 815 462
Change in accounting policy	-	-	-	(170 941)	(170 941)
Prior year adjustments	(3 077 258)	(2 900 099)	(5 977 357)	5 977 357	-
Balance at 01 July 2009 as restated	-	-	-	180 334 010	180 334 010
Changes in net assets					
Surplus for the year	-	-	-	(3 515 796)	(3 515 796)
Total changes	-	-	-	(3 515 796)	(3 515 796)
Balance at 01 July 2009	-	-	-	176 818 218	176 818 218
Changes in net assets					
Transfer to Sekhukhune	-	-	-	(5 300 733)	(5 300 733)
Net income (losses) recognised directly in net assets	-	-	-	(5 300 733)	(5 300 733)
Surplus for the year	-	-	-	33 408 371	33 408 371
Total recognised income and expenses for the year	-	-	-	28 107 638	28 107 638
Total changes	-	-	-	28 107 638	28 107 638
Balance at 30 June 2010	-	-	-	204 925 856	204 925 856

Note(s)

Ephraim mogale local municipality

Annual Financial Statements for the year ended 30 June 2010

Cash Flow Statement

Figures in Rand	Note(s)	2010	2009
Cash flows from operating activities			
Receipts			
Cash receipts from customers, grant and other sources of revenue		118 491 156	92 097 375
Interest income		2 879 623	1 913 988
		121 370 779	94 011 363
Payments			
Cash payments for inventory, suppliers and employ related cost		(76 244 427)	(64 582 540)
Finance costs		(1 253 209)	(1 324 702)
		(77 497 636)	(65 907 242)
Net cash flows from operating activities	33	43 873 143	28 104 121
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(44 090 902)	(18 108 823)
Proceeds from sale of property, plant and equipment	4	-	(4 361 116)
Purchase of investment property	3	(3 947 369)	-
Net cash flows from investing activities		(48 038 271)	(22 469 939)
Cash flows from financing activities			
Proceeds from other financial liabilities		-	341 955
Repayment of other financial liabilities		(397 733)	-
Finance lease payments		-	(31 743)
Proceeds from Borrowings (Restatement)		-	334 108
Net cash flows from financing activities		(397 733)	644 320
Net increase/(decrease) in cash and cash equivalents		(4 562 861)	6 278 502
Cash and cash equivalents at the beginning of the year		6 057 469	(221 033)
Cash and cash equivalents at the end of the year	10	1 494 608	6 057 469

Ephraim mogale local municipality

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period, except for the changes set out in note Changes in accounting policy

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. .

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note - Provisions.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

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Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost / (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note .

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the enterprise, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

The fair value of investment properties has not been reviewed as the municipality have applied the transitional provisions as set out in Directive 4. The municipality is in the process of determining the the fair value of all its investment properties. A service provider was acquired to assist with the process.

Transitional provision

The municipality changed its accounting policy for investment property in 2010. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

Ephraim mogale local municipality

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.2 Investment property (continued)

According to the transitional provision, the municipality is not required to measure investment property for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Investment property. Investment property has accordingly been recognised at provisional amounts, as disclosed in 3. The transitional provision expires on 30 June 2012.

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where investment property was acquired through a transfer of functions, the municipality is not required to measure that investment property for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2010 and investment property has accordingly been recognised at provisional amounts, as disclosed in 3.

Until such time as the measurement period expires and investment property is recognised and measured in accordance with the requirements of the Standard of GRAP on Investment property, the municipality need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Investment property implies that any associated presentation and disclosure requirements need not be complied with for investment property not measured in accordance with the requirements of the Standard of GRAP on Investment property.

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Ephraim mogale local municipality

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.3 Property, plant and equipment (continued)

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Property, plant and equipment are depreciated as the municipality have applied the transitional provisions as set out in Directive 4. The municipality is in the process of determining the residual values and useful life of all assets. A service provider was acquired to assist with the process.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Land	Indefinite
Buildings	20 - 25 years
Plant and machinery	3 - 10 years
Furniture and fixtures	4 - 6 years
Motor vehicles	5 years
Office equipment	4 - 6 years
IT equipment	3 years
Infrastructure	2 - 100 years

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not

Ephraim mogale local municipality

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.3 Property, plant and equipment (continued)

accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

Transitional provision

The municipality changed its accounting policy for property, plant and equipment in 2010. The change in accounting policy was made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure property, plant and equipment for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Property, plant and equipment. Property, plant and equipment has accordingly been recognised at provisional amounts, as disclosed in 4. The transitional provision expires on 30 June 2012.

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where property, plant and equipment was acquired through a transfer of functions, the municipality is not required to measure that property, plant and equipment for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2010 and property, plant and equipment has accordingly been recognised at provisional amounts, as disclosed in 4.

Until such time as the measurement period expires and property, plant and equipment is recognised and measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment, the municipality need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Property, plant and equipment implies that any associated presentation and disclosure requirements need not be complied with for property, plant and equipment not measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment.

1.4 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount, and any impairment loss is recognised in surplus or deficit.

Ephraim mogale local municipality

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1.4 Site restoration and dismantling cost (continued)

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability (subject to (b)) is credited to other comprehensive income and accumulated in the revaluation surplus in equity, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
 - an increase in the liability is recognised in surplus or deficit, except that it is debited to other comprehensive income as a decrease to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and to other comprehensive income under (a). If a revaluation is necessary, all assets of that class are revalued.

1.5 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Website	3 years
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Accounting Policies

1.5 Intangible assets (continued)

Intangible assets are not amortised as the municipality have applied the transitional provisions as set out in Directive 4. The municipality is in the process of determining the residual values and useful life of all assets. A service provider was acquired to assist with the process.

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

Transitional provision

The municipality changed its accounting policy for intangible assets in 2010. The change in accounting policy was made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure intangible assets for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Intangible assets. Intangible Assets has accordingly been recognised at provisional amounts, as disclosed in . The transitional provision expires on 30 June 2012.

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where intangible assets was acquired through a transfer of functions, the municipality is not required to measure that intangible assets for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2010 and intangible assets has accordingly been recognised at provisional amounts, as disclosed in .

Until such time as the measurement period expires and intangible assets is recognised and measured in accordance with the requirements of the Standard of GRAP on Intangible assets, the municipality need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Intangible assets implies that any associated presentation and disclosure requirements need not be complied with for intangible assets not measured in accordance with the requirements of the Standard of GRAP on Intangible assets.

1.6 Financial instruments

Classification

The municipality classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

Ephraim mogale local municipality

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Accounting Policies

1.6 Financial instruments (continued)

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Regular way purchases of financial assets are accounted for at settlement date.

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Accounting Policies

1.6 Financial instruments (continued)

Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Impairment of financial assets

At each end of the reporting period the municipality assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit - is removed from equity as a reclassification adjustment in other comprehensive income and recognised in surplus or deficit.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Loans to / (from) economic entities

Loans to economic entities are classified as loans and receivables.

Loans from economic entities are classified as financial liabilities measured at amortised cost.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Ephraim mogale local municipality

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Accounting Policies

1.6 Financial instruments (continued)

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- A gain or loss on a financial asset or financial liability classified as at fair value through surplus or deficit is recognised in surplus or deficit;
- A gain or loss on an available-for-sale financial asset is recognised directly in net assets, through the statement of changes in net assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in net assets is recognised in surplus or deficit; and
- For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

Derecognition

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the municipality retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the municipality has transferred its rights to receive cash flows from the asset and either
 - has transferred substantially all the risks and rewards of the asset, or
 - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the municipality has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the municipality's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the municipality's continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

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Accounting Policies

1.6 Financial instruments (continued)

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

Impairment of financial assets

The municipality assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

Assets are carried at amortised cost.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit. The municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

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Accounting Policies

1.7 Leases (continued)

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.8 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.9 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation / (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation / (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

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Accounting Policies

1.9 Impairment of cash-generating assets (continued)

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

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1.9 Impairment of cash-generating assets (continued)

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.10 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation / (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation / (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a non-cash-generating asset is the present value of the non-cash-generating asset's remaining service potential.

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Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction / (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation / (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation / (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.11 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.12 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid

Ephraim mogale local municipality

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Accounting Policies

1.12 Employee benefits (continued)

vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the municipality is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

1.13 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Ephraim mogale local municipality

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.13 Provisions and contingencies (continued)

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding agreement.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 34.

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount, and account for any impairment loss, in accordance with the amounting policy on impairment of assets as described in accounting policy 1.9 and 1.10.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
 - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;

Ephraim mogale local municipality

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.13 Provisions and contingencies (continued)

- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

Transitional provision

The municipality changed its accounting policy for provisions, contingent liabilities and contingent assets in 2010. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where provisions, contingent liabilities and contingent assets was acquired through a transfer of functions, the municipality is not required to measure that provisions, contingent liabilities and contingent assets for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2010 and provisions, contingent liabilities and contingent assets has accordingly been recognised at provisional amounts, as disclosed in .

Until such time as the measurement period expires and provisions, contingent liabilities and contingent assets is recognised and measured in accordance with the requirements of the Standard of GRAP on Provisions, contingent liabilities and contingent assets, the municipality need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Provisions, contingent liabilities and contingent assets implies that any associated presentation and disclosure requirements need not be complied with for provisions, contingent liabilities and contingent assets not measured in accordance with the requirements of the Standard of GRAP on Provisions, contingent liabilities and contingent assets.

1.14 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Ephraim mogale local municipality

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.14 Revenue from exchange transactions (continued)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.15 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Ephraim mogale local municipality

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Fines

Revenue from the issuing of fines is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

Levies

Levies are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Levies are based on declarations completed by levy payers. The estimate of levies revenue when a levy payer has not submitted a declaration are based on the following factors:

- the extent and success of procedures to investigate the non-submission of a declaration by defaulting levy payers;
- internal records maintained of historical comparisons of estimated levies with actual levies received from individual levy payers;
- historical information on declarations previously submitted by defaulting levy payers; and
- the accuracy of the database of levy payers as well as the frequency by which it is updated for changes.

Changes to estimates made when more reliable information becomes available are processed as an adjustment to levies revenue.

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

Ephraim mogale local municipality

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.16 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

1.17 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.18 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.19 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.20 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Ephraim mogale local municipality

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.22 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is:

- (a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;
- (b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
- (c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
- (d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law,

but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure".

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.23 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.24 Presentation of currency

These annual financial statements are presented in South African Rand.

1.25 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

1.26 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

Ephraim mogale local municipality

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.27 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.28 Segmental information

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

1.29 Research and development expenditure

Research costs are charged against operating surplus as incurred. Development costs are recognised as an expense in the period in which they are incurred unless the following criteria are met:

- The product or process is clearly defined and the costs attributable to the process or product can be separately identified and measured reliably;
- The technical feasibility of the product or process can be demonstrated;
- The existence of a market or, if to be used internally rather than sold, its usefulness to the municipality can be demonstrated;
- Adequate resources exist, or their availability can be demonstrated, to complete the project and then market or use the product or process; and
- The asset must be separately identifiable.

Where development costs are deferred, they are written off on a straight-line basis over the life of the process or product, subject to a maximum of five years. The amortization begins from the commencement of the commercial production of the product or use of the process to which they relate.

Ephraim mogale local municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 4: The Effects of Changes in Foreign Exchange Rates

The initial application of GRAP 4 will have no impact on the annual financial statements.

The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, requires retrospective application on the initial adoption of the Standard except for the acquisition of foreign operations.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

GRAP 5: Borrowing Costs

This Standard allows entities, in the exceptionally rare cases, to expense borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. This applies when it is inappropriate to capitalise borrowing costs.

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirement of an entity directly to the nature of the expenditure to be funded i.e. capital or current. In such cases, an entity shall expense those borrowing costs related to a qualifying asset directly to the statement of financial performance.

The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires that the Standard will only apply to borrowing costs incurred on qualifying assets where the commencement date for capitalisation is on or after the effective date of the Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires that the Standard will only apply to borrowing costs incurred on qualifying assets where the commencement date for capitalisation is on or after the effective date of the Standard.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires only prospective application of the Standard and only will apply to borrowing costs incurred on qualifying assets where the commencement date for capitalisation is on or after the effective date of the Standard.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

GRAP 6: Consolidated and Separate Financial Statements

GRAP 6 includes specific guidance on whether control exists and on power conditions to determine whether control exists in a public sector context – public sector entities need to consider impact of this guidance to determine whether an investment

Ephraim mogale local municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

should be accounted for in accordance with GRAP 6.

GRAP 6 includes specific guidance and explanatory material on the accounting of special purpose entities adopted from SIC 12 – SA specific public sector amendment. Public sector entities need to consider impact of this guidance to determine whether an investment should be accounted for in accordance with GRAP 6.

The initial application of GRAP 6 will have no impact on the annual financial statements.

The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, requires retrospective application of the Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard for separate annual financial statements. For consolidated annual financial statements the result of initially adopting the Standard shall be recognised in the economic entity as an adjustment to the opening balance of accumulated surplus or deficit and comparative information need not be restated for the economic entity.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard for separate annual financial statements. For consolidated annual financial statements the result of initially adopting the Standard shall be recognised in the economic entity as an adjustment to the opening balance of accumulated surplus or deficit and comparative information need not be restated for the economic entity.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

GRAP 7: Investments in Associates

An associate is an entity in which the investor has significant influence and which is neither a controlled entity nor a joint venture of the investor.

Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies. The investor must exercise judgement in the context of all available information to determine if it has significant influence over an investee.

An investor accounts for investments in associates in the consolidated annual financial statements using the equity method.

The initial application of GRAP 7 will have no impact on the annual financial statements.

The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, requires retrospective application of the Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard for separate annual financial statements. Any adjustments required to annual financial statements as a result of initially applying the equity method shall be recognised as an adjustment to the opening balance of accumulated surplus or deficit of the period in which the Standard is adopted. Comparative information need not be restated in these annual financial statements.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard for separate annual financial statements. Any adjustments required to annual financial statements as a result of initially applying the equity method shall be recognised as an adjustment to the opening balance of accumulated surplus or deficit of the period in which the Standard is adopted. Comparative information need not be restated in these annual financial statements.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

Ephraim mogale local municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The impact of the standard is not material.

GRAP 8: Interests in Joint Ventures

GRAP 8 uses a different definition for joint venture and joint control – contractual arrangement has been replaced by binding arrangement (public sector amendment) – public entities need to review current arrangements to determine whether they fall within the scope of GRAP 8 as a result of the public sector amendment.

Applying the definition of joint control as defined in this Standard may result in the identification of other entities that are also jointly controlled ventures in addition to those identified by complying with applicable legislation.

GRAP 8 incorporates guidance adopted from SIC13 on Non-monetary Contributions by ventures issued by the IASB i.e. provisions for accounting for non-monetary contributions to a jointly controlled entity in exchange for an equity interest in the jointly controlled entity that is accounted for using either the equity method or proportionate consolidation. (Par.57-62).

The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, requires retrospective application of the Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard for separate annual financial statements. Any adjustments required to annual financial statements as a result of initially applying the equity or proportionate consolidation method shall be recognised as an adjustment to the opening balance of accumulated surplus or deficit of the period in which the Standard is adopted. Comparative information need not be restated in these annual financial statements.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard for separate annual financial statements. Any adjustments required to annual financial statements as a result of initially applying the equity or proportionate consolidation method shall be recognised as an adjustment to the opening balance of accumulated surplus or deficit of the period in which the Standard is adopted. Comparative information need not be restated in these annual financial statements.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

GRAP 9: Revenue from Exchange Transactions

The definition of revenue in terms of GRAP 9 incorporates the concept of service potential. Revenue is the gross inflow of economic benefits or service potential when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Entities may derive revenue from exchange or non-exchange transactions.

An exchange transaction is one in which the municipality receives resources or has liabilities extinguished, and directly gives approximately equal value to the other party in exchange.

Non-exchange revenue transaction is a transaction where an entity receives value from another entity without directly giving approximately equal value in exchange.

An entity recognises revenue when it is probable that economic benefits or service potential will flow to the municipality, and the municipality can measure the benefits reliably.

GRAP 9 clarifies that this Standard only applies to revenue from exchange transactions.

Other than terminology difference, no affect on initial adoption of Standard on GRAP 9.

The following Directives also need to be considered:

Ephraim mogale local municipality

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Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

Ephraim mogale local municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 10: Financial Reporting in Hyperinflationary Economies

GRAP 10 includes additional guidance as adopted from Financial Reporting in Hyperinflationary Economies (IFRIC 7) on Applying the Restatement Approach.

The initial application of GRAP 4 will have no impact on the annual financial statements.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is set out in note Changes in Accounting Policy.

GRAP 11: Construction Contracts

The definition for "construction contract" was expanded by including a binding arrangement that do not take the form of a legal contract within the scope of the Standard.

Definition for "cost plus or cost based contract" has been expanded to include commercially-based contract.

The scope has been expanded to include cost based and non-commercial contracts.

Public entities need to review contracts to determine whether they fall within the scope of the Standard based on the above changes.

GRAP 11 incorporates the concept of service potential in the condition to determine whether the outcome of a construction contract can be estimated reliably. The requirement to recognise an expected deficit on a contract immediately when it becomes probable that contract costs will exceed total contract revenue applies only to contracts in which it is intended at the inception of the contract that contract costs are to be fully recovered from the parties to that contract (par.47).

Other than the above requirements, there is no other affect on initial adoption of GRAP 11.

The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

GRAP 12: Inventories

GRAP 12 includes the definition of current replacement costs as the cost the municipality would incur to acquire the asset on the reporting date. GRAP 12 also includes the principal of service potential associated with the item that will flow to the municipality as part of recognition criteria for inventories as well as the concept of goods purchased or produced for distribution at no charge or for a nominal consideration, which is specific to the public sector.

Initial measurement is required at cost (an exchange transaction) and where inventories are acquired at no cost or nominal consideration (non-exchange transaction), their cost shall be their fair value at acquisition date.

Subsequent measurement shall be at lower of cost and net realisable value except if inventories are held for:

- distribution at no charge or for a nominal charge, or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Ephraim mogale local municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

If the above applies then subsequent measurement shall be at the lower of cost or current replacement cost.

The retail method of measurement of cost is excluded from GRAP 12.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. However, entities are not required to measure inventories in accordance with the requirements of the Standard for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

GRAP 13: Leases

GRAP 13 incorporates additional guidance on the concept of substance and legal form of a transaction, to illustrate the difference between lease and other contracts and on operating lease incentives.

In certain circumstances, legislation may prohibit the entering into certain types of lease agreements. If the municipality has contravened these legislative requirements, the municipality is still required to apply the requirements of GRAP 13.

Other than the abovementioned requirements, there is no other impact on the initial adoption of GRAP13.

The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of the Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, the recognition requirements of the Standard would not apply to such items until the transitional provision in that Standard expires.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment or the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that Standard expires.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

GRAP 14: Events after the reporting date

An event, which could be favourable or unfavourable, that occurs between the reporting date and the date the annual financial statements are authorised for issue.

GRAP 14 requires the date of authorisation for issue is the date on which the annual financial statements have received approval from management to be issued to the executive authority or municipal council.

Ephraim mogale local municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

An entity shall adjust the amounts recognised in its annual financial statements to reflect adjusting events after the reporting date.

An entity shall not adjust the amounts recognised in its annual financial statements to reflect non-adjusting events after the reporting date.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

GRAP 16: Investment Property

Investment property includes property held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of an entity's operations.

GRAP 16 states that the use of property to provide housing as a social service does not qualify as investment property even though rentals are earned.

At initial recognition, investment property is measured at cost including transaction costs. However, where an entity acquires investment property through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

After initial recognition, entities can carry investment property at either the fair value (fair value model) or cost less accumulated depreciation and accumulated impairment (cost model).

An entity is required to disclose the fair value of investment property if the cost model is used. When an entity carries investment properties at fair value, the fair value needs to be determined at every reporting date. Gains or losses arising from changes in fair value are included in surplus or deficit for the period in which they arise.

The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. However, entities are not required to measure investment properties in accordance with the requirements of the Standard for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

Ephraim mogale local municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 17: Property, Plant and Equipment

GRAP 17 does not require or prohibit the recognition of heritage assets but if an entity recognises heritage assets the municipality needs to comply with GRAP 17 disclosure requirements.

Additional commentary has been included in to clarify the applicability of infrastructure assets to be recognised in terms of GRAP 17.

Where an entity acquires an asset through a non-exchange transaction, i.e. for a nominal or no consideration, its cost is its fair value as at the date of acquisition.

The disclosure requirement for temporarily idle, fully depreciated property, plant and equipment and for property, plant and equipment that are retired from active use is required in GRAP 17 whereas IAS 16 only encourages this disclosure.

The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard. However, entities that applied the transitional provisions in the Standard of GAMAP on Property, Plant and Equipment may continue to take advantage of those transitional provisions until they expire.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. However, entities that applied the transitional provisions in the Standard of GAMAP on Property, Plant and Equipment may continue to take advantage of those transitional provisions until they expire. Entities are also not required to measure classes of Property, Plant and Equipment in accordance with the requirements of the Standard for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is set out in note Changes in Accounting Policy.

GRAP 19: Provisions, Contingent Liabilities and Contingent Assets

GRAP 19 exclude from its scope those provisions and contingent liabilities arising from social benefits for which it does not receive consideration that is approximately equal to the value of goods and services provided directly in return from the recipients of those benefits.

For the purpose of GRAP 19, social benefits refers to goods, services and other benefits provided in the pursuit of the social policy objective of a government. This Standard includes guidance on the accounting of these social benefits.

Outflow of resources embodying service potential also needs to be considered in when assessing if a present obligation that arises from past events exists or not.

The Standard includes accounting for obligations to make additional contributions to a fund. This is similar to the requirements of IFRIC5 (AC438).

It further includes the accounting for the changes in existing decommissioning, restoration and similar liabilities. This is similar to the requirements of IFRIC1 (AC434).

GRAP 19 give specific guidance regarding restructuring by way of transfers that will take place under a government directive and will not involve binding agreements. An obligation exists only when there is a binding transfer agreement.

Additional disclosure for each class of provision regarding reductions in the carrying amounts of provisions that result from payments or other outflows of economic benefits or service potential made during the reporting period and reductions in the carrying amounts of provisions resulting from remeasurement of the estimated future outflow of economic benefits or service potential, or from settlement of the provisions without cost to the municipality.

Ephraim mogale local municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

If an external valuation is used to measure a provision the information relating to the valuation can usefully be disclosed.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard. However, where items have not been recognised as a result of transitional provisions under the Standard on Property, Plant and Equipment, the recognition requirements of the Standard on Provisions, Contingent Liabilities and Contingent Assets would not apply to such items until the transitional provisions in that Standard expire.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. However, where items have not been recognised as a result of transitional provisions under the Standard on Property, Plant and Equipment, the recognition requirements of the Standard on Provisions, Contingent Liabilities and Contingent Assets would not apply to such items until the transitional provisions in that Standard expire.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

GRAP 100: Non-current Assets Held for Sale and Discontinued Operations

GRAP 100 includes in its scope the reference to non-cash generating assets. It further includes definitions relevant to the understanding of the Standard e.g. "Non-cash-generating assets" are assets other than cash-generating assets and "value in use of a non-cash-generating asset" is the present value of the asset's remaining service potential.

GRAP 100 excludes from the description of a discontinued operation reference to a controlled entity acquired exclusively with a view to resale.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires prospective application of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires prospective application of the Standard. However, the Standard would not apply to those items that have not been recognised as a result of the transitional provisions under the Standard of Property, Plant and Equipment until the transitional provision in that Standard expires.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires prospective application of the Standard. However, the Standard would not apply to those items that have not been recognised as a result of the transitional provisions under the Standards of GRAP on Inventories, Investment Property, Property, Plant and Equipment, Agriculture and Intangible Assets until the transitional provision in that Standard expires.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

GRAP 101: Agriculture

GRAP 101 excludes guidance on accounting for non-exchange revenue from government grants related to a biological asset as GRAP 23 on Revenue from Non-Exchange Transactions will provide such guidance.

Recognition requirement includes the concept of the probable flow of service potential.

Biological assets acquired at no or for a nominal value shall be measured on initial recognition and at each reporting date at its fair value less estimated point-of-sale costs.

Additional disclosure is required of biological assets for which the municipality's use or capacity to sell is subject to restrictions imposed by regulations that have a significant impact on their total fair value less estimated point-of-sale costs.

Ephraim mogale local municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

In the reconciliation of changes in the carrying amount of biological assets between the beginning and the end of the current period it is also required to disclose increases or decreases due to transfers.

The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires any adjustments required to the previous carrying amounts of assets and net assets shall be recognised as an adjustment to the opening balance of accumulated surplus or deficit in the period that the Standard initially adopted. Comparative information is not required to be restated on initial adoption of this Standard.

Directive 4 - Transitional provisions for medium and low capacity requires any adjustments required to the previous carrying amounts of assets and net assets shall be recognised as an adjustment to the opening balance of accumulated surplus or deficit in the period that the Standard is initially adopted. Comparative information is not required to be restated. Entities are not required to recognise biological assets and/or agricultural produce for reporting periods beginning on or after a date within three years following the date of initial adoption of this Standard.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

GRAP 102: Intangible Assets

GRAP 102 excludes guidance on accounting for intangible assets acquired as part of an entity combination and in-process research and development costs acquired in an entity combination.

Recognition requirement includes the concept of the probable flow of service potential.

GRAP 102 distinguishes between impairment loss of cash generating and non-cash-generating assets.

Intangible assets acquired at no or for a nominal cost shall be measured on acquisition date at its fair value.

In GRAP 102 the identifiability criterion in the definition of an intangible asset has been expanded to include contractual rights arising from binding arrangements, and to exclude rights granted by statute.

Additional guidance included in GRAP 102 to explain that distinction should be made between assets associated with the item of property, plant and equipment and the intangible asset.

Guidance on web site costs has been included in GRAP 102 from SIC Interpretation 32 Intangible Assets – Web Site Costs.

Guidance on intangible assets that may be acquired in exchange for non-monetary assets, where the exchange transaction lacks commercial substance has not been included in GRAP 102 as guidance to be included in GRAP 23.

GRAP 102 does not state “gains shall not be classified as revenue” as GRAP term “income” has a broader meaning than the term “revenue”.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard. Where entities have, on initial adoption of the Standard, accumulated and retained sufficient information about costs and the future economic benefits or service potential related to intangible assets that may have been expensed previously, those intangible assets should be recognised in accordance with the Standard.

Ephraim mogale local municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Directive 4 - Transitional provisions for medium and low capacity requires retrospective application of the Standard. Where entities have, on initial adoption of the Standard, accumulated and retained sufficient information about costs and the future economic benefits or service potential related to intangible assets that may have been expensed previously, those intangible assets should be recognised in accordance with the Standard. Entities are not required to measure intangible assets for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Intangible Assets.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

IPSAS 21: Impairment of Non Cash-Generating Assets

The method of measurement of value in use of a non-cash-generating asset under this Standard is different to that applied to a cash generating asset.

Asset should be measured by reference to the present value of the remaining service potential of the asset.

Determining value in use (present value of remaining service potential) of a non-cash-generating asset, may be the depreciated replacement cost approach, restoration cost approach and service units approach.

This Standard does not require entities to apply an impairment test to property, plant and equipment carried at revalued amounts.

This Standard does not include a decrease in market value significantly greater than would be expected as a result of the passage of time or normal use as a minimum indication of impairment. This indication is included as an additional indication that impairment may exist.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

IPSAS 20: Related Party Disclosure

IPSAS 20 specifically excludes any consideration provided to key management personnel solely as a reimbursement for expenditure incurred by those individuals for the benefit of the reporting entity.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

2.2 Standards and Interpretations early adopted

The municipality has not chosen to early adopt any standards and interpretations.

2.3 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2010 or later periods:

Ephraim mogale local municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, states that no comparative segment information need to be presented on initial adoption of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, recognition requirements of this Standard would not apply to such items until the transitional provision in that Standard expires.

Directive 4 – Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

The effective date of the standard is for years beginning on or after 01 April 2011.

The municipality expects to adopt the standard for the first time in the 2012 annual financial statements.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 23: Revenue from Non-exchange Transactions

Revenue from non-exchange transactions arises when an entity receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of increase in net assets recognised by the municipality.

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As an entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability recognised as recognise an amount equal to that reduction.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2010.

The municipality expects to adopt the standard for the first time in the 2011 annual financial statements.

The impact of this standard is currently being assessed.

Ephraim mogale local municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 24: Presentation of Budget Information in the Financial Statements

Subject to the requirements of paragraph .19, an entity shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the municipality is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where an entity prepares its budget and annual financial statements on a comparable basis, it includes the comparison as an additional column in the primary annual financial statements. Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the annual financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and annual financial statements:

- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2010.

The municipality expects to adopt the standard for the first time in the 2011 annual financial statements.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 103: Heritage Assets

Grp 103 defines heritage assets as assets which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Certain heritage assets are described as inalienable items thus assets which are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.

A heritage asset should be recognised as an asset only if:

- it is probable that future economic benefits or service potential associated with the asset will to the municipality; and
- the cost of fair value of the asset can be measured reliably.

The standard required judgment in applying the initial recognition criteria to the specific circumstances surrounding the entity and the assets.

Grp 103 states that a heritage asset should be measured at its cost unless it is acquired through a non-exchange transaction which should then be measured at its fair value as at the date of acquisition.

In terms of the standard, an entity has a choice between the cost and revaluation model as accounting policy for subsequent recognition and should apply the chosen policy to an entire class of heritage assets.

The cost model requires a class of heritage assets to be carried at its cost less any accumulated impairment losses.

The revaluation model required a class of heritage assets to be carried at its fair value at the date of the revaluation less

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

any subsequent impairment losses. The standard also states that a restriction on the disposal of a heritage asset does not preclude the entity from determining the fair value.

Grp 103 prescribes that when determining the fair value of a heritage asset that has more than one purpose, the fair value should reflect both the asset's heritage value and the value obtained from its use in the production or supply of goods or services or for administrative purposes.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase should be credited directly to a revaluation surplus. However, the increase should be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit. If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease should be recognised in surplus or deficit. However, the decrease should be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Grp 103 states that a heritage asset should not be depreciated but an entity should assess at each reporting date whether there is an indication that it may be impaired.

In terms of the standard, compensation from third parties for heritage assets that have been impaired, lost or given up, should be included in surplus or deficit when the compensation becomes receivable.

For a transfer from heritage assets carried at a revalued amount to property, plant and equipment, investment property, inventories or intangible assets, the asset's deemed cost for subsequent accounting should be its revalued amount at the date of transfer. The entity should treat any difference at that date between the carrying amount of the heritage asset and its fair value in the same way as a revaluation in accordance with this Standard. If an item of property, plant and equipment or an intangible asset carried at a revalued amount, or investment property carried at fair value is reclassified as a heritage asset carried at a revalued amount, the entity applies the applicable Standard of GRAP to that asset up to the date of change. The entity treats any difference at that date between the carrying amount of the asset and its fair value in accordance with the applicable Standard of GRAP relating to that asset. For a transfer from investment property carried at fair value, or inventories to heritage assets at a revalued amount, any difference between the fair value of the asset at that date and its previous carrying amount should be recognised in surplus or deficit.

The carrying amount of a heritage asset should be derecognised:

- on disposal, or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset should be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

The effective date of the standard is for years beginning on or after 01 April 2010.

The municipality expects to adopt the standard for the first time in the 2011 annual financial statements.

The impact of this standard is currently being assessed.

IGRAP 1: Interpretation of GRAP: Applying the Probability Test on Initial Recognition of Exchange Revenue

An entity assesses the probability of each transaction on an individual basis when it occurs. Entities shall not assess the probability on an overall level based on the payment history of recipients of the service in general when the probability of revenue is assessed at initial recognition.

The full amount of revenue will be recognised at initial recognition. Assessing impairment is an event that takes place subsequently to initial recognition. Such impairment is an expense. Revenue is not reduced by this expense.

The effective date of the interpretation is for years beginning on or after 01 April 2010.

The municipality expects to adopt the interpretation for the first time in the 2011 annual financial statements.

Ephraim mogale local municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand 2010 2009

3. Investment property

	2010			2009		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	6 851 207	-	6 851 207	2 903 838	-	2 903 838

Reconciliation of investment property - 2010

	Opening balance	Additions	Total
Investment property	2 903 838	3 947 369	6 851 207

Reconciliation of investment property - 2009

	Opening balance	Total
Investment property	2 903 838	2 903 838

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal are as follows:

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

In the exceptional cases when the municipality have to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
 - the fact that the entity has disposed of investment property not carried at fair value,
 - the carrying amount of that investment property at the time of sale, and
 - the amount of gain or loss recognised.

When the municipality's policy is to subsequently measure investment property on the cost model, when the municipality cannot determine the fair value of the investment property reliably, the municipality must disclose:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and

Transitional provisions

Investment property recognised at provisional amounts

In accordance with the transitional provisions as per Directive 4 of the GRAP Reporting Framework, as disclosed in note certain investment property with a carrying value of R 6 851 207 (2009: R 2 903 838) was recognised at provisional amounts. Carrying amounts of investment property carried at provisional amounts are as follows:

Ephraim mogale local municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand

2010

2009

4. Property, plant and equipment

	2010			2009		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Buildings	32 085 701	(1 909 251)	30 176 450	23 813 524	(1 172 747)	22 640 777
Motor vehicles	1 098 501	(370 085)	728 416	635 619	(170 311)	465 308
Office equipment	12 669 976	(10 031 449)	2 638 527	11 603 652	(8 602 676)	3 000 976
Infrastructure	72 443 243	(8 327 220)	64 116 023	41 775 355	(5 592 408)	36 182 947
Community	1 589 479	(403 045)	1 186 434	1 589 480	(355 851)	1 233 629
Other property, plant and equipment	24 113 523	(14 746 126)	9 367 397	20 490 710	(12 939 099)	7 551 611
Capital work in progress	-	-	-	714 120	-	714 120
Total	144 000 423	(35 787 176)	108 213 247	100 622 460	(28 833 092)	71 789 368

Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Transfers	Depreciation	Total
Buildings	22 640 777	8 272 175	-	(736 502)	30 176 450
Motor vehicles	465 308	462 881	-	(199 773)	728 416
Office equipment	3 000 976	1 065 145	-	(1 427 594)	2 638 527
Infrastructure	36 182 947	30 667 888	-	(2 734 812)	64 116 023
Community	1 233 629	-	-	(47 195)	1 186 434
Other property, plant and equipment	7 551 611	3 622 813	-	(1 807 027)	9 367 397
Capital work in progress	714 120	-	(714 120)	-	-
	71 789 368	44 090 902	(714 120)	(6 952 903)	108 213 247

Reconciliation of property, plant and equipment - 2009

	Opening balance	Additions	Depreciation	Total
Land and Buildings	19 987 909	3 285 956	(633 088)	22 640 777
Motor vehicles	592 432	-	(127 124)	465 308
Office equipment	4 487 601	330 244	(1 816 869)	3 000 976
Infrastructure	26 146 043	12 009 530	(1 972 626)	36 182 947
Community	1 280 824	-	(47 195)	1 233 629
Other property, plant and equipment	8 442 296	1 768 973	(2 659 658)	7 551 611
Capital work in progress	-	714 120	-	714 120
	60 937 105	18 108 823	(7 256 560)	71 789 368

Transitional provisions

Property, plant and equipment recognised at provisional amounts

In accordance with the transitional provisions as per Directive 4 of the GRAP Reporting Framework, as disclosed in note certain property, plant and equipment with a carrying value of R 108 213 247 (2009: R 71 789 368) was recognised at provisional amounts. Carrying amounts of property, plant and equipment carried at provisional amounts are as follows:

Ephraim mogale local municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
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4. Property, plant and equipment (continued)

Due to initial adoption of GRAP 17

Tangible fixed assets	11 140 781	11 334 811
Infrastructure assets	97 818 499	62 683 620

Steps taken to establish the values of property, plant and equipment recognised at provisional amounts due to the initial adoption of GRAP 17, is as follows:

The municipality will use the services of an accredited service provider which will assist in determining the valuation of the Property, plant and equipment.

The date at which full compliance with GRAP 17 is expected, is 30 June 2012.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Ephraim mogale local municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
5. Inventories		
Water	-	32 875
Stores, materials and fuels	875 772	915 830
	875 772	948 705

Transitional provisions

Inventories recognised at provisional amounts

In accordance with the transitional provisions as per Directive 4 of the GRAP Reporting Framework, as disclosed in note certain inventories with a carrying value of R 875 772 (2009: R 948 705) was recognised at provisional amounts. Carrying amounts of inventories carried at provisional amounts are as follows:

Due to initial adoption of GRAP 12

Inventory	875 772	948 705
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Steps taken to establish the values of inventories recognised at provisional amounts due to the initial adoption of GRAP 12, is as follows:

The municipality will employ the services of a valuator to accurately determine the valuation method and valuation of consumables to comply with Grap 12.

The date at which full compliance with GRAP 12 is expected, is 30 June 2012.

6. Trade and other receivables from exchange transactions

Trade debtors	955 233	711 277
Sekhukhune Debtor	108 629 748	109 197 326
Other debtors #1	548 100	487 719
	110 133 081	110 396 322

7. Other receivables from non-exchange transactions

Government grants and subsidies	197 900	-
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8. VAT receivable

VAT	2 909 757	1 258 883
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Ephraim mogale local municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
9. Consumer debtors		
Gross balances		
Rates	5 039 861	3 417 839
Electricity	1 981 289	1 638 305
Water	-	2 033 984
Sewerage	-	912 923
Refuse	1 289 357	864 233
Other - (Interest and other major items)	5 967 700	5 245 596
	14 278 207	14 112 880
Less: Provision for debt impairment		
Rates	(3 231 883)	(1 972 030)
Electricity	(353 471)	(945 271)
Water	-	(1 173 571)
Sewerage	-	(526 740)
Refuse	(1 019 780)	(498 647)
Other - (Interest and other major items)	(5 152 717)	(4 504 925)
	(9 757 851)	(9 621 184)
Net balance		
Rates	1 807 798	1 445 809
Electricity	1 627 818	693 033
Water	-	860 413
Sewerage	-	386 183
Refuse	269 577	365 587
Other - (Interest and other major items)	814 983	740 671
	4 520 176	4 491 696
Rates		
Current (0 -30 days)	915 071	779 493
31 - 60 days	366 421	304 421
61 - 90 days	398 986	289 982
91 - 120 days	-	532 025
121 - 365 days	-	193 782
> 365 days	-	1 318 137
	1 680 478	3 417 840
Electricity		
Current (0 -30 days)	1 425 056	132 397
31 - 60 days	143 065	55 602
61 - 90 days	59 697	31 969
91 - 120 days	-	23 493
121 - 365 days	-	97 194
> 365 days	-	1 297 650
	1 627 818	1 638 305
Water		
Current (0 -30 days)	-	218 697
31 - 60 days	-	90 132
61 - 90 days	-	93 037
91 - 120 days	-	123 584
121 - 365 days	-	767 683
> 365 days	-	740 850
	-	2 033 983

Ephraim mogale local municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
9. Consumer debtors (continued)		
Sewerage		
Current (0 -30 days)	-	45 209
31 - 60 days	-	39 227
61 - 90 days	-	35 885
91 - 120 days	-	32 304
121 - 365 days	-	263 572
> 365 days	-	496 726
	-	912 923
Refuse		
Current (0 -30 days)	168 211	48 113
31 - 60 days	53 085	34 335
61 - 90 days	48 281	32 377
91 - 120 days	-	30 824
121 - 365 days	-	212 762
> 365 days	-	505 822
	269 577	864 233
Other		
Current (0 -30 days)	110 095	523 265
31 - 60 days	251 250	340 668
61 - 90 days	453 638	196 552
91 - 120 days	-	139 066
121 - 365 days	-	914 338
> 365 days	-	3 131 707
	814 983	5 245 596
Reconciliation of debt impairment provision		
Balance at beginning of the year	(9 621 184)	(4 807 725)
Contributions to provision	-	(4 813 459)
Reversal of provision	(136 668)	-
	(9 757 852)	(9 621 184)

Consumer debtors impaired

As of 30 June 2010, consumer debtors of R 9 757 852 (2009: R 9 621 184) were impaired and provided for.

Ephraim mogale local municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
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10. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	3 375 255	6 057 469
Bank overdraft	(1 880 647)	-
	1 494 608	6 057 469
Current assets	3 375 255	6 057 469
Current liabilities	(1 880 647)	-
	1 494 608	6 057 469

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2010	30 June 2009	30 June 2010	30 June 2009
First National Bank Limited - Cheque Account (Acc No 52950020208)	3 018 152	6 182 610	(1 880 647)	2 748 531
First National Bank Limited - Cheque Account (PHP) (Acc No 62057590393)	45 655	213 066	45 655	208 866
Rand Merchant Bank Unit Trusts Limited: Money Market Fund (Acc No RU 500434945)	3 329 600	3 000 657	3 329 600	3 100 072
Total	6 393 407	9 396 333	1 494 608	6 057 469

11. Other financial liabilities

DBSA Loans	7 558 083	7 991 382
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Held at amortised cost

DBSA Loans	400 473	364 907
Terms and conditions		
	7 958 556	8 356 289

Refer to appendix A for more details on the loans.

Non-current liabilities

At amortised cost	7 558 083	7 991 382
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Current liabilities

At amortised cost	400 473	364 907
	7 958 556	8 356 289

12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Municipal Infrastructure Grant	5 870 000	2 700 000
MSIG	114 513	716 430
FMG	12 999	12 999
SDM WARD SUPPORT 2008	7 555	7 555
GRANT GREATER SEKHUKHUNE 2008	69 079	69 079
GRANT HIV AIDS PROGR.2007	-	2 733

Ephraim mogale local municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
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12. Unspent conditional grants and receipts (continued)

6 074 146	3 508 796
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The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 18 for reconciliation of grants from Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

13. Trade and other payables from exchange transactions

Trade payables	8 428 376	5 621 754
Accrued leave pay	4 225 690	2 106 610
Accrued bonus	1 622 104	-
Other creditors	241 693	(211 658)
	14 517 863	7 516 706

Ephraim mogale local municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
14. Consumer deposits		
Deposits held	1 548 386	1 475 335
15. Revenue		
Property rates	9 311 666	8 690 538
Service charges	21 232 924	16 194 743
Rental of facilities & equipment	123 203	88 119
Fines	903 910	713 613
Licences and permits	4 087 374	4 522 206
Government grants & subsidies	80 608 689	42 003 000
Miscellaneous other revenue	-	180
	116 267 766	72 212 399
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	21 232 924	16 194 743
Rental of facilities & equipment	123 203	88 119
Licences and permits	4 087 374	4 522 206
Miscellaneous other revenue	-	180
	25 443 501	20 805 248
The amount included in revenue arising from non-exchange transactions is as follows:		
Property rates	9 311 666	8 690 538
Fines	903 910	713 613
Government grants & subsidies	80 608 689	42 003 000
	90 824 265	51 407 151
16. Property rates		
Rates received		
Residential	9 311 666	8 690 538
Valuations		
Residential	647 328 500	647 328 500
Commercial	267 527 986	267 527 986
State	19 113 200	19 113 200
Municipal	31 974 800	31 974 800
Small holdings and farms	690 411 114	690 411 114
Social	9 774 000	9 774 000
	1 666 129 600	1 666 129 600

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2007. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The new general valuation will be implemented on 01 July 2011.

Ephraim mogale local municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
17. Service charges		
Sale of electricity	18 139 984	13 669 137
Sale of water	565 474	411 831
Sewerage and sanitation charges	177 246	165 319
Refuse removal	2 350 220	1 948 456
	21 232 924	16 194 743

Ephraim mogale local municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
18. Government grants and subsidies		
Equitable share	42 474 880	29 844 000
Municipal Infrastructure Grant	12 862 000	9 826 000
Municipal Systems Improvement Program Grant	1 336 917	1 153 570
Finance Management Grant	750 000	852 425
LED Strategy Grant	-	69 482
Grant Horticultural Program	-	86 260
Grant Logistic Hub	793 844	-
Sekhukhune District Asset grant received	21 792 548	13 763
Ward Committee Support	598 500	157 500
	80 608 689	42 003 000

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Municipal Infrastructure Grant

Balance unspent at beginning of year	2 700 000	-
Current-year receipts	16 032 000	12 526 000
Conditions met - transferred to revenue	(12 862 000)	(9 826 000)
	5 870 000	2 700 000

Conditions still to be met - remain liabilities (see note 12).

Municipal Systems Improvement Program Grant

Balance unspent at beginning of year	716 430	1 135 000
Current-year receipts	735 000	735 000
Conditions met - transferred to revenue	(1 336 917)	(1 153 570)
	114 513	716 430

Conditions still to be met - remain liabilities (see note 12)

Grant Provincial Government

Balance unspent at beginning of year	12 999	12 999
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Conditions still to be met - remain liabilities (see note 12)

Integrated National Electrification Programme Grant

Balance unspent at beginning of year	7 555	-
Current-year receipts	1 000 000	1 161 125
Conditions met - transferred to revenue	(1 000 000)	(1 153 570)
	7 555	7 555

Conditions still to be met - remain liabilities (see note 12)

GRANT GREATER SEKHUKHUNE 2008

Balance unspent at beginning of year	69 079	69 079
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Conditions still to be met - remain liabilities (see note 12)

HIV AIDS Grant

Ephraim mogale local municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
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18. Government grants and subsidies (continued)

Balance unspent at beginning of year	2 733	2 733
Conditions met - transferred to revenue	(2 733)	-
	<u>-</u>	<u>2 733</u>

All conditions have been met.

Financial Management Grant

Balance unspent at beginning of year	-	102 425
Current-year receipts	750 000	750 000
Conditions met - transferred to revenue	(750 000)	(852 425)
	<u>-</u>	<u>-</u>

All conditions have been met during the year.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

19. Other revenue

Insurance refund	230 434	-
Other income	804 107	2 128 985
	<u>1 034 541</u>	<u>2 128 985</u>

Ephraim mogale local municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
20. General expenses		
Advertising	323 767	273 124
Auditors remuneration	1 237 846	1 402 603
Bank charges	199 504	166 521
Chemicals	9 431	10 089
Cleaning	42 392	32 905
Conferences and seminars	17 580	34 347
Consulting and professional fees	5 116 207	2 245 183
Consumables	693 932	255 846
Consumables	109 196	43 727
Donations	229 717	246 087
Electricity	1 066 411	542 032
Entertainment	47 992	31 664
IT expenses	404 624	-
Insurance	304 568	196 809
Lease rentals on operating lease	1 243 307	549 241
Marketing	18 710	8 718
Motor vehicle expenses	1 241 256	1 255 409
General expenses	1 086 970	911 342
Postage and courier	129 519	119 515
Printing and stationery	382 690	371 064
Protective clothing	87 536	35 028
Refuse	139 143	118 614
Security (Guarding of municipal property)	1 715 180	1 657 609
Sewerage and waste disposal	16 289	12 715
Staff welfare	173 945	59 694
Subscriptions and membership fees	562 038	516 909
Telephone and fax	1 145 227	1 106 847
Training	181 653	373 046
Travel - local	1 398 874	1 235 975
Uniforms	-	26 252
Water	132 142	109 006
	19 457 646	13 947 921

21. Operating surplus/(deficit)

Operating surplus/(deficit) for the year is stated after accounting for the following:

Operating lease charges

Premises		
• Contractual amounts	778 903	354 546
Equipment		
• Contractual amounts	464 404	194 695
	1 243 307	549 241
Surplus on sale of property, plant and equipment	-	(4 361 116)
Depreciation on property, plant and equipment	6 952 902	7 256 559
Employee costs	41 600 886	34 500 068

Ephraim mogale local municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
22. Employee related costs		
Basic	18 609 096	15 894 028
Bonus	19 384	17 542
Medical aid - company contributions	1 305 342	1 143 410
UIF	220 160	177 607
WCA	207 407	417 236
Other payroll levies	8 625	7 838
Leave pay provision charge	5 802 753	2 826 524
Short term benefit	59 768	62 891
Post-employment benefits - Pension - Defined contribution plan	4 162 867	3 693 974
Overtime payments	1 158 223	713 488
Car allowance	1 082 269	1 233 232
Housing benefits and allowances	59 625	79 183
	32 695 519	26 266 953
Remuneration of municipal manager		
Salary	407 670	300 000
Car Allowance	130 152	49 577
Bonus	31 770	40 269
Contributions to UIF, Medical and Pension Funds	119 112	193 312
Reimbursing allowances	58 639	-
	747 343	583 158
Remuneration of chief finance officer		
Salary	334 502	239 045
Car Allowance	90 000	130 231
Bonus	-	14 667
Contributions to UIF, Medical and Pension Funds	44 352	122 575
Reimbursing allowances	28 922	-
	497 776	506 518
Corporate and human resources (corporate services)		
Salary	26 512	196 188
Car Allowance	3 623	98 232
Bonus	92 023	9 952
Contributions to UIF, Medical and Pension Funds	8 683	103 866
Reimbursing allowances	413	-
	131 254	408 238
Health, safety and social services (emergency management services)		
Salary	348 940	196 188
Car Allowance	70 000	98 232
Bonus	30 000	9 952
Contributions to UIF, Medical and Pension Funds	73 757	103 866
Reimbursing allowances	24 194	-
	546 891	408 238
Procurements and infrastructure (planning, transport and environmental affairs)		
Salary	347 589	196 188
Car Allowance	101 000	98 232

Ephraim mogale local municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
22. Employee related costs (continued)		
Bonus	-	9 952
Contributions to UIF, Medical and Pension Funds	80 300	103 866
Reimbursive allowances	25 544	-
	554 433	408 238
23. Remuneration of councillors		
Executive Major	589 256	225 344
Mayoral Committee Members	870 710	893 823
Speaker	461 105	256 823
Councillors	3 970 509	4 455 725
Executive Committee Members - Part Time	457 216	-
Skills development and travel	78 874	87 010
	6 427 670	5 918 725
In-kind benefits		
The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
The Executive Mayor is entitled to stay at the mayoral residence owned by Council at no cost. The Executive Mayor has use of a Council owned vehicle for official duties.		
24. Administrative expenditure		
Administration and management fees - third party	75 391	76 197
25. Debt impairment		
Debt impairment	2 403 439	6 618 344
26. Investment revenue		
Interest revenue		
Unlisted financial assets	702 838	494 139
Bank and investments	252 478	396 334
Interest charged on trade and other receivables	1 934 982	1 202 917
	2 890 298	2 093 390
27. Depreciation and amortisation		
Property, plant and equipment	6 952 902	7 256 559
28. Finance costs		
Bank and long term loans	3 660	41 147
Other interest paid	1 249 548	1 283 541
	1 253 208	1 324 688
29. Auditors' remuneration		
Fees	1 237 846	1 402 603
30. Operating lease		

Ephraim mogale local municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
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30. Operating lease (continued)

The operating leases are in respect of photocopiers and two properties utilised in the operations of the Municipality. The leases are structured as pure operating equipment not machine specific and based on the current load and requirements of the Municipality. The leases are short term leases and for future leases not subject to escalation. The business equipment are tested annually for capitalisation requirements but does not qualify to be capitalised at this stage.

2010 in Statement of Financial Performance	596 233	419 399
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The following is a schedule by years of minimum future rentals on non-cancelable operating leases as of June 2010:

Heading

< than 1 year until 30 June 2011 or 2010	783 278	211 742
> than One year < 5 years	1 473 743	832 164
	2 257 021	1 043 906

31. Grants and subsidies paid

Other subsidies

Indigent grants	56 557	93 704
Upgrading Indigent Register	114 383	-
Revenue enhancement strategy	368 969	-
Services: Free & Subsidised	522 906	686 639
	1 062 815	780 343

32. Bulk purchases

Electricity	11 349 489	8 781 828
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Ephraim mogale local municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
33. Cash generated from/(used in) operations		
Surplus / (deficit)	33 408 371	(4 003 500)
Adjustments for:		
Depreciation and amortisation	6 952 902	7 256 559
Gain on sale of assets and liabilities	-	4 361 116
Debt impairment	2 403 439	6 618 344
Contribution to provisions	-	170 941
Prior period errors - non cash movement	(4 098 716)	(4 555 572)
Changes in working capital:		
Inventories	72 934	(2 080 706)
Trade and other receivables from exchange transactions	(224 478)	12 305 623
Other receivables from non-exchange transactions	(197 900)	-
Consumer debtors	(2 432 099)	(403 590)
Trade and other payables from exchange transactions	7 001 163	6 468 450
VAT	(1 650 874)	(1 542 340)
Unspent conditional grants and receipts	2 565 350	3 508 796
Consumer deposits	73 051	-
	43 873 143	28 104 121

34. Contingencies

Contingent liabilities

There are civil cases pending against the municipality which may have potential estimated obligations amounting to R878 209 on the municipality. More information is available at the Legal department of the municipality.

Contingent assets

The municipality has an contingent asset outstanding as at 30 June 2010 amounting to R465 984 on a contractor. The matter was heard on the 7 October 2010 by the High Court in Northern Gauteng whereby the order was granted in favour of the municipality.

35. Related parties

Relationships

Accounting Officer	Refer to accounting officer's report note
Post employment benefit plan for employees of entity and/or other related parties	Municipal Gratuity Fund
The water and sanitation functions are demarcated in the Demarcation Act by the Local Municipality on behalf of the District Municipality.	Refer note below
The agreement is structured as an agency principal relationship with the District Municipality being the water service authority	Refer note below
UIF is deductible for all councillor's from 01 July 2009	Refer note below

Related party balances

Loan accounts - Owing (to) by related parties

Sekhukhune District municipality: Receivables	104 276 754	108 029 300
Other		
Sekhukhune District Municipality: Agency fees	4 352 994	1 168 026
Council - UIF	25 682	-
Council - Salaries short paid	(30 727)	-
Council - Salaries over paid	6 505	-
Employee - Rental fringe benefit	7 355	-

Ephraim mogale local municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
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36. Prior period errors

The following prior year errors were identified and adjusted retrospectively:

- Water and sanitation assets were previously not recognised according to the Municipal Structures Act, as assets were recognised by the Ephraim Mogale Local Municipality instead of the Greater Sekhuhune District Municipality.
- Debtor were raised for assets, expenditure and income to be transferred to the District Municipality
- The Capital replacement fund reserve and the Township development fund were not cashed back correctly in terms of Grap1.

The correction of the error(s) results in adjustments as follows:

Statement of financial position

Property, plant and equipment	-	(2 333 795)
Accumulated surplus	-	(1 103 606)
Township development fund	-	2 900 099
Capital replacement fund	-	3 077 258
Prior year adjustment for fund adjustment in Statement of Financial performance	-	(948 986)
Trade Payables	-	27 166
Trade and other receivables from exchange transactions	-	109 197 326
		<u>110 815 462</u>

Statement of financial performance

Depreciation expense	-	(177 868)
General expenses	-	(6 697 241)
Service charges	-	5 771 503
		<u>(1 103 606)</u>

37. Risk management

Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a concern in order to provide returns for members and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes 11, cash and cash equivalents disclosed in note 10, and equity as disclosed in the statement of financial position.

In order to maintain or adjust the capital structure, the municipality may adjust the amount of dividends paid to members, return capital to members, issue new shares or sell assets to reduce debt.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

There are no externally imposed capital requirements.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Interest rate risk

Ephraim mogale local municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
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37. Risk management (continued)

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

38. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

39. Unauthorised expenditure

Unauthorised expenditure	-	354 895
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Non compliance to MFMA S29(1),(2) and (3)

40. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	9 893	192 080
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Non compliance to the SCM policy and non compliance to the Basic conditions to employment Act 1997.

41. Irregular expenditure

Opening balance	9 164	-
Add: Irregular Expenditure - current year	4 579 537	9 164
	4 588 701	9 164

Details of irregular expenditure not recoverable (not condoned)

Non-compliance with section 38 of the DORA act, resulting in irregular expenditure	4 579 537
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42. Commitments

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2010:

30 June 2010	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
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Ephraim mogale local municipality

Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
42. Commitments (continued)		
Councillor Nkadimeng PM	306	11 163
Councillor Oosthuizen C	17	1 730
Councillor More ME	701	7 759
	1 024	19 951
		20 975

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

Contract commitments

Through inspection of the contract register commitments amounting to R14 095 323 are outstanding as at 30 June 2010.

43. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	7 958 556	8 356 289
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Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

44. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix E(1) for the comparison of actual operating expenditure versus budgeted expenditure.

45. Additional Note

Appendix A: Schedule of external loans

Ephraim mogale local municipality
Appendix A

Schedule of external loans as at 30 June 2010

Loan Number	Redeemable	Balance at 30 June 2009	Received during the period	Redeemed written off during the period	Balance at 30 June 2010	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand		
Development Bank of South Africa							
DBSA @ 15.00%	10993-103	30/09/2017	1 864 551	-	120 111	1 744 440	-
DBSA @ 14.25%	11022-102	30/09/2017	918 292	-	61 066	857 226	-
DBSA @ 16.50%	13291-103	31/03/2020	1 085 407	-	39 629	1 045 778	-
DBSA @ 16.50%	13292-102	30/09/2021	281 167	-	7 754	273 413	-
DBSA @ 16.50%	13293-103	30/09/2019	4 206 872	-	169 175	4 037 697	-
			8 356 289	-	397 735	7 958 554	-
Total external loans							
Development Bank of South Africa			8 356 289	-	397 735	7 958 554	-
			8 356 289	-	397 735	7 958 554	-

Ephraim mogale local municipality

Annual Financial Statements for the year ended 30 June 2010

Supplementary information

Appendix B: Analysis of property, plant and equipment

Appendix B

Analysis of property, plant and equipment as at 30 June 2010

Cost/Revaluation						Accumulated depreciation							
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

Infrastructure

PPE	100 622 460	44 090 902	1 178	(714 120)	-	-	144 000 420	(28 833 092)	(1 178)	-	(6 952 903)	-	(35 787 173)	108 213 247
	100 622 460	44 090 902	1 178	(714 120)	-	-	144 000 420	(28 833 092)	(1 178)	-	(6 952 903)	-	(35 787 173)	108 213 247

Community Assets

Appendix B

Analysis of property, plant and equipment as at 30 June 2010

	Cost/Revaluation						Accumulated depreciation							
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

Heritage assets
Specialised vehicles
Other assets
Total property plant and equipment

Infrastructure	100 622 460	44 090 902	1 178	(714 120)	-	-	144 000 420	(28 833 092)	(1 178)	-	(6 952 903)	-	(35 787 173)	108 213 247
	100 622 460	44 090 902	1 178	(714 120)	-	-	144 000 420	(28 833 092)	(1 178)	-	(6 952 903)	-	(35 787 173)	108 213 247

Agricultural/Biological assets
Intangible assets
Investment properties

Investment property	2 903 838	3 947 369	-	-	-	-	6 851 207	-	-	-	-	-	-	6 851 207
	2 903 838	3 947 369	-	-	-	-	6 851 207	-	-	-	-	-	-	6 851 207

Total

Infrastructure	100 622 460	44 090 902	1 178	(714 120)	-	-	144 000 420	(28 833 092)	(1 178)	-	(6 952 903)	-	(35 787 173)	108 213 247
Investment properties	2 903 838	3 947 369	-	-	-	-	6 851 207	-	-	-	-	-	-	6 851 207
	103 526 298	48 038 271	1 178	(714 120)	-	-	150 851 627	(28 833 092)	(1 178)	-	(6 952 903)	-	(35 787 173)	115 064 454

Ephraim mogale local municipality

Annual Financial Statements for the year ended 30 June 2010

Supplementary information

Appendix D: Segmental Statement of Financial Performance

Ephraim mogale local municipality
Appendix D

Segmental Statement of Financial Performance for the year ended
Prior Year **Current Year**

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
Municipality						
9 545 860	11 721 417	(2 175 557)	Executive & Council/Mayor and Council	19 547 514	12 768 255	6 779 259
45 381 169	31 936 671	13 444 498	Finance & Admin/Finance	54 559 989	28 870 609	25 689 380
18 162	7 427 350	(7 409 188)	Comm. & Social/Libraries and archives	24 592	6 381 569	(6 356 977)
108 209	1 210 875	(1 102 666)	Housing	139 944	5 961 438	(5 821 494)
242 489	3 408 898	(3 166 409)	Public Safety/Police	903 910	4 615 379	(3 711 469)
3 601 649	8 908 300	(5 306 651)	Waste Water Management/Sewerage	4 122 680	5 510 046	(1 387 366)
4 118 310	5 527 299	(1 408 989)	Water/Water Distribution	5 654 740	4 714 802	939 938
13 781 185	11 842 101	1 939 084	Electricity /Electricity Distribution	18 211 948	15 288 004	2 923 944
76 797 033	81 982 911	(5 185 878)		103 165 317	84 110 102	19 055 215
Municipal Owned Entities						
Other charges						
76 797 033	81 982 911	(5 185 878)	Municipality	103 165 317	84 110 102	19 055 215
76 797 033	81 982 911	(5 185 878)	Total	103 165 317	84 110 102	19 055 215

Ephraim mogale local municipality

Annual Financial Statements for the year ended 30 June 2010

Supplementary information

Appendix E(1): Actual versus Budget (Revenue and Expenditure)

Ephraim mogale local municipality
Appendix E(1)

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2010

	Current year 2010 Act. Adj. Bal.	Current year 2010 Bud. Amt	Variance	Explanation of Significant Variances greater than 10% versus Budget
	Rand	Rand	Rand	Var
Revenue				
Property rates	9 311 666	9 875 000	(563 334)	(5.7)
Service charges	21 232 924	29 329 932	(8 097 008)	(27.6)
Rental of facilities and equipment	123 203	105 911	17 292	16.3
Fines	903 910	884 140	19 770	2.2
Licences and permits	4 087 374	5 726 840	(1 639 466)	(28.6)
Government grants & subsidies	80 608 689	60 488 897	20 119 792	33.3
Miscellaneous other revenue	-	-	-	-
Recoveries	230 434	-	230 434	-
Other income	804 107	851 126	(47 019)	(5.5)
Interest received - investment	2 890 298	1 599 250	1 291 048	80.7
	120 192 605	108 861 096	11 331 509	10.4
Expenses				
Personnel	(35 173 215)	(40 520 539)	5 347 324	(13.2)
Remuneration of councillors	(6 427 669)	(6 999 456)	571 787	(8.2)
Administration	(75 391)	(100 100)	24 709	(24.7)
Depreciation	(6 952 902)	-	(6 952 902)	-
Finance costs	(1 253 208)	(1 658 000)	404 792	(24.4)
Debt impairment	(2 403 439)	(200 000)	(2 203 439)	101.7
Repairs and maintenance - General	(2 628 458)	(4 319 585)	1 691 127	(39.2)
Bulk purchases	(11 349 489)	(13 367 075)	2 017 586	(15.1)
Grants and subsidies paid	(1 062 815)	(1 031 090)	(31 725)	3.1
General Expenses	(19 457 644)	(44 200 109)	24 742 465	(56.0)
	(86 784 230)	(112 395 954)	25 611 724	(22.8)
Other revenue and costs	-	1 000 000	(1 000 000)	100.0
Net surplus/ (deficit) for the year	33 408 375	(2 534 858)	35 943 233	418.0

Ephraim mogale local municipality

Annual Financial Statements for the year ended 30 June 2010

Supplementary information

Appendix F: Disclosure of grants and subsidies in terms of the Municipal Finance Management Act

Ephraim mogale local municipality

Appendix F

Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

Name of Grants	Quarterly Receipts					Quarterly Expenditure					Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act
				Jun					Jun		Yes/ No
Equitable Share	17 126 000	13 701 000	-	10 275 000	1 899 000	17 126 000	13 701 000	-	10 275 000	1 899 000	Yes
MIG	7 510 000	2 376 000	-	-	-	7 510 000	2 376 000	-	-	-	Yes
MSIG	735 000	-	-	-	-	735 000	-	-	-	-	Yes
FMG	750 000	-	-	-	-	750 000	-	-	-	-	Yes
Eskom	944 000	-	405 000	-	598 000	944 000	-	405 000	-	598 000	Yes
	-	-	-	-	-	-	-	-	-	-	
	-	-	-	-	-	-	-	-	-	-	
	27 065 000	16 077 000	405 000	10 275 000	2 497 000	27 065 000	16 077 000	405 000	10 275 000	2 497 000	

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.